

HARDIN COUNTY

**Independent Auditors' Reports
Basic Financial Statements and Supplementary Information
Schedule of Findings**

June 30, 2008

Hardin County Table of Contents

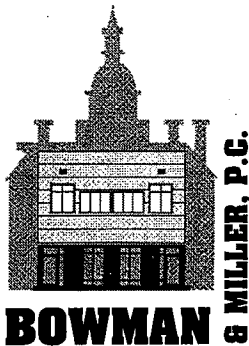
	<u>Page</u>
Officials	1
Independent Auditors' Report	2-3
Management's Discussion and Analysis	4-10
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Assets	A 11
Statement of Activities	B 12-13
Governmental Fund Financial Statements:	
Balance Sheet	C 14-15
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	D 16
Statement of Revenues, Expenditures and Changes in Fund Balances	E 17-18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F 19
Proprietary Fund Financial Statements:	
Statement of Net Assets	G 20
Statement of Revenues, Expenses and Changes in Fund Net Assets	H 21
Statement of Cash Flows	I 22
Fiduciary Fund Financial Statement:	
Statement of Fiduciary Assets and Liabilities – Agency Funds	J 23
Notes to Financial Statements	24-39
Required Supplementary Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds	40-41
Budget to GAAP Reconciliation	42
Notes to Required Supplementary Information – Budgetary Reporting	43
Other Supplementary Information:	<u>Schedule</u>
Nonmajor Special Revenue Funds:	
Combining Balance Sheet	1 44-45
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2 46-47
Agency Funds:	
Combining Schedule of Fiduciary Assets and Liabilities	3 48-50
Combining Schedule of Changes in Fiduciary Assets and Liabilities	4 51-54
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	5 55

Hardin County
Table of Contents (continued)

	<u>Page</u>
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	56-57
Schedule of Findings	58-61
Audit Staff	62

Hardin County Officials

<u>Name</u>	<u>Title</u>	<u>Expires</u>
Jim Johnson	Board of Supervisors	January 2009
Ed Bear	Board of Supervisors	January 2011
Ervin Miller	Board of Supervisors	January 2011
Renee McClellan	County Auditor	January 2009
Glena Nolting	County Treasurer	January 2011
Barbara Nuss	County Recorder	January 2011
Tim Smith	County Sheriff	January 2009
Randall Tilton	County Attorney	January 2011
Don Knoell	County Assessor	January 2011



C E R T I F I E D ♦ P U B L I C ♦ A C C O U N T A N T S

24 EAST MAIN STREET • MARSHALLTOWN, IOWA 50158 • 641-753-9337 • FAX 641-753-6366
418 2ND STREET • GLADBROOK, IOWA 50635 • 641-473-2717 • FAX 641-753-6366
4949 PLEASANT STREET • SUITE 206 • WEST DES MOINES, IOWA 50266 • 515-278-0286 • FAX 515-278-0287

James R. Bowman, CPA • jim@syscompia.com
Elizabeth A. Miller, CPA • beth@syscompia.com

Independent Auditors' Report

To the Officials of Hardin County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Hardin County, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Hardin County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Hardin County at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 5, 2009 on our consideration of Hardin County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 10 and 40 through 43 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hardin County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bowman and Miller, P.C.

January 5, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of Hardin County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 3.1%, or approximately \$426,000 from 2007 to 2008. Property tax revenues increased approximately \$319,000, operating grants and contributions increased approximately \$107,000, capital grants and contributions decreased approximately \$37,000 and charges for service increased approximately \$50,000.
- Program expenses were 2.9%, or approximately \$381,000, more in 2008 than in 2007. Non-program, mental health and governmental service to residents increased \$145,890, \$133,738 and \$78,292 respectively.
- The County's net assets increased 2.1%, or approximately \$417,000, from June 30, 2007 to June 30, 2008.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Hardin County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Hardin County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Hardin County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue and the individual Agency Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and non-program activities. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has three kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services, and Secondary Roads, 3) the Debt Service Fund, and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements of the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2) Proprietary funds account for the County's Internal Service, Employee Group Health Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency funds that account for drainage districts, emergency management services and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a statement of fiduciary assets and liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Hardin County's combined net assets were virtually unchanged from a year ago, increasing from \$20.3 million to \$20.6 million. The analysis that follows focuses on the changes in net assets for governmental activities:

Net Assets of Governmental Activities (Expressed in Thousands)

	June 30,	
	2008	2007
Current and other assets	\$ 14,659	13,096
Capital assets	18,487	19,452
Total assets	33,146	32,548
Long-term liabilities	5,338	5,556
Other liabilities	7,138	6,739
Total liabilities	12,476	12,295
Net assets:		
Invested in capital assets, net of related debt	13,576	14,232
Restricted	4,464	3,862
Unrestricted	2,630	2,159
Total net assets	\$ 20,670	20,253

Net assets of Hardin County's governmental activities increased by 2.1 percent (\$20.6 million compared to \$20.3 million). The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased by approximately \$471,000 from June 30, 2007 to approximately \$2.6 million at the end of this year, an increase of 21.8%.

This increase of approximately \$471,000 in unrestricted net assets was the result of general fund revenues exceeding expenditures. Both revenues and expense were consistent with the prior year. The County increased its total assets by approximately \$598,000 over the prior year.

Changes in Net Assets of Governmental Activities

	Year ended June 30,	
	2008	2007
Revenues:		
Program revenues:		
Charges for service	\$ 2,865,605	2,815,859
Operating grants, contributions and restricted interest	4,129,341	4,021,875
Capital grants, contributions and restricted interest	224,000	261,418
General revenues:		
Property tax	5,447,373	5,128,711
Interest and penalty on property tax	53,187	55,844
State tax credits	294,105	279,064
Local option sales tax	635,029	698,188
Grants and contributions not restricted to a specific purpose	7,079	9,138
Unrestricted investment earnings	273,462	288,506
Other general revenues	109,989	54,582
Total revenues	14,039,170	13,613,185
Program expenses:		
Public safety and legal services	3,148,223	3,093,527
Physical health and social services	263,697	290,905
Mental health	2,005,319	1,871,581
County environment and education	854,356	820,063
Roads and transportation	5,010,504	4,987,285
Governmental services to residents	460,355	382,063
Administration	1,460,994	1,464,903
Non-program	224,432	78,542
Interest on long-term debt	194,739	252,656
Total expenses	13,622,619	13,241,525
Increase in net assets	416,551	371,660
Net assets beginning of year	20,252,989	19,881,329
Net assets end of year	\$ 20,669,540	20,252,989

The County's total revenues increased by \$426,000 or 3.1% over the prior year, with property tax revenue up from the prior year approximately \$319,000 or 6.2%. Operating grants, contributions and restricted interest increased due to approximately \$60,000 of additional funds being received for allowable growth in the mental health fund and approximately \$69,000 received from the Iowa Department of Transportation in the form of a reimbursement. The total cost of all programs and services increased by 2.9% or \$381,000.

The cost of all governmental activities this year was \$13.6 million compared to \$13.2 million last year. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities was only \$6.4 million because some of the cost was paid by those who

directly benefited from the programs (\$2,866,000) or by other governments and organizations that subsidized certain programs with contributions and grants (\$4,353,000). Overall the County's governmental program revenues, including intergovernmental aid and fees for services increased in 2008 from \$7,099,000 to \$7,219,000. The County paid the remaining "public benefit" portion of governmental activities (\$6,404,000) with taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements. General revenues increased due to an increase in the taxable valuation of land in the County.

INDIVIDUAL MAJOR FUND ANALYSIS

As Hardin County completed the year, its governmental funds reported a combined fund balance of \$6.1 million, which is approximately \$700,000 more than last year's total of \$5.4 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund's ending fund balance increased approximately \$645,000 from the prior year. Revenues and expenditures remained relatively consistent from prior years. Transfers to debt service fund decreased by \$323,000 and the fund received \$69,000 in new debt.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$2 million, an increase of 6.8% from the prior year. The Mental Health Fund balance at year end decreased by approximately \$20,000 to approximately \$160,000.
- Secondary Roads Fund revenues remained virtually unchanged from the prior year. Expenditures decreased approximately \$377,000 due to fewer dollars being expended for road and bridge repairs and construction. The amount that the County transferred from the Rural Services Fund decreased by approximately \$143,700. The Secondary Roads Fund ending fund balance increased by approximately \$344,350.

There was no significant change in the Debt Service Fund balance or the Capital Projects Fund balance.

BUDGETARY HIGHLIGHTS

Over the course of the year, Hardin County amended its budget two times. The first amendment was made on May 28, 2008 and the second amendment was made on June 30, 2008. The amendments were made to provide for an increase in grant expenditures, increase in road projects and reallocating budgets between service areas.

The County's receipts were \$835,116 less than budgeted, a variance of 5.8%. The most significant variance resulted from the County receiving \$999,046 less in intergovernmental revenues than anticipated.

Total disbursements were \$1,417,438 less than the amended budget. Actual disbursements for roads and transportation, physical health and social services and capital projects were \$375,841, \$375,476 and \$249,901, respectively, less than budgeted. This was primarily due to anticipated capital projects being delayed, grant expenditures not being incurred in the current fiscal year and fewer people needing or eligible for County assistance.

The County did not exceed the budgeted amount in any of the functions for the year ended June 30, 2008, but did exceed the amounts appropriated prior to the re-appropriation in certain departments.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, Hardin County had approximately \$38.5 million invested in a broad range of capital assets, including public safety equipment, buildings, and roads and bridges. This amount represents a net increase (including additions and deletions) of approximately \$144,000 or half a percent over last year.

Capital Assets of Governmental Activities at Year End (Expressed in thousands)

	June 30,	
	2008	2007
Land	\$ 594	528
Construction in progress	44	298
Buildings and improvements	9,157	9,157
Machinery and equipment	6,159	6,136
Infrastructure	22,575	22,266
Total	<u>\$ 38,529</u>	<u>38,385</u>

This year's major additions included (in thousands):

Secondary Road motor grader	\$ 191
Sheriff's vehicles	27
Land purchase	67
Roadway construction and bridge replacement	308
Total	<u>\$ 593</u>

The County had depreciation expense of \$1,366,676 in fiscal 2008 and total accumulated depreciation of \$20,042,415 at June 30, 2008.

The County's fiscal year 2008 capital budget included \$562,240 for capital projects, primarily for conservation land, building repairs and new equipment purchases. The County has no plans to issue additional debt to finance these projects. Rather, the County will use resources on hand in the County's fund balances. More detailed information about the County's capital assets is presented in Note 6 to the financial statements.

Long-Term Debt

At June 30, 2008, the County had approximately \$5,556,000 in bonds and other debt compared to approximately \$5,870,000 at June 30, 2007, as shown below.

Outstanding Debt of Governmental Activities at Year-End

	June 30,	
	2008	2007
General obligation bonds	\$ 4,895,000	5,220,000
Capital lease	15,620	-
Drainage warrants	102,894	15,742
Compensated absences	324,109	319,925
Total	<u>\$ 5,337,623</u>	<u>5,555,667</u>

The County continues to carry a general obligation bond rating of A3 assigned by a national rating agency to the County's debt since 2003. The Constitution of the State of Iowa limits the amount of general obligation debt that counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. The County's outstanding general obligation debt is significantly below this \$33 million limit.

Compensated absences include accrued vacation pay. More detailed information about the County's long-term debt is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

In preparation for the FY 2009 county budget, elected and appointed officials in Hardin County considered many factors when determining the tax rates, fee schedules, and related revenue and expense forecasts. Factors such as the economy, taxable valuation figures, population growth and age mix, state mandates, local needs, and many other items are evaluated.

The County anticipates some increase in total assessed valuations due to continued expansion of value-added agriculture enterprises, such as bio diesel and ethanol plants; improved productivity of agriculture and other developments. However, rollback factors may off-set some of these increases. One concern however, is the downturn potential of the economy in general.

The County continues to seek ways to improve efficiency by sharing programs and personnel with other counties and increasing revenues through user fees, grants, and contracts rather than solely relying on property tax income. The County will also continue to use local option sales tax revenues and capital projects budgets for allowable expenses. Bonding will be necessary for selected items, such as an update of the County's communication system for emergency use. Reduced road use tax funds could have a negative impact on the secondary roads budget.

The County's share of total property tax collections is about 20%. The remaining 80% of property tax collections are disbursed to the school districts, community colleges, city governments, townships, extension service, and other entities within the County.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Hardin County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor's Office, Hardin County Courthouse, 1215 Edgington Avenue, Eldora, Iowa.

Hardin County
Statement of Net Assets
June 30, 2008

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 7,228,842
Receivables:	
Property tax:	
Delinquent	47,834
Succeeding year	5,959,965
Interest and penalty on property tax	70,549
Accounts	10,457
Accrued interest	33,364
Drainage assessments	75,326
Due from other governments	697,651
Inventories	534,644
Capital assets (net of accumulated depreciation)	18,486,955
Total assets	<u>33,145,587</u>
Liabilities	
Accounts payable	733,872
Accrued interest payable	45,214
Salaries and benefits payable	51,126
Due to other governments	348,247
Deferred revenue:	
Succeeding year property tax	5,959,965
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreement	7,586
General obligation bonds	385,000
Compensated absences	324,109
Portion due or payable after one year:	
Capital lease purchase agreement	8,034
General obligation bonds	4,510,000
Drainage warrants/drainage improvement certificates payable	102,894
Total liabilities	<u>12,476,047</u>
Net Assets	
Invested in capital assets, net of related debt	13,576,335
Restricted for:	
Supplemental levy purposes	592,289
Secondary roads purposes	850,181
Mental health purposes	137,590
Capital projects	690,232
Other purposes	2,193,058
Unrestricted	2,629,855
Total net assets	<u>\$ 20,669,540</u>

Hardin County
Statement of Activities
Year ended June 30, 2008

		Program Revenues		
		Charges for	Operating Grants, Capital Grants, Contributions and Restricted Interest	Contributions and Restricted Interest
	Expenses	Service		
Functions/Programs:				
Governmental activities:				
Public safety and legal services	\$ 3,148,223	1,750,600	-	-
Physical health and social services	263,697	45,679	47,848	-
Mental health	2,005,319	200,234	931,167	-
County environment and education	854,356	44,838	171,861	74,890
Roads and transportation	5,010,504	100,589	2,831,116	143,994
Governmental services to residents	460,355	343,540	623	-
Administration	1,460,994	9,255	146,726	-
Non-program	224,432	370,870	-	5,116
Interest on long-term debt	194,739	-	-	-
Total	<u>\$ 13,622,619</u>	<u>2,865,605</u>	<u>4,129,341</u>	<u>224,000</u>

General Revenues:

Property and other county tax levied for:

- General purposes
- Debt service
- Tax increment financing

Interest and penalty on property tax

State tax credits

Local option sales tax

Grants and contributions not restricted to specific purposes

Unrestricted investment earnings

Miscellaneous

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

<u>Net (Expense)</u> <u>Revenue and</u> <u>Changes</u> <u>in Net Assets</u>	
	(1,397,623)
	(170,170)
	(873,918)
	(562,767)
	(1,934,805)
	(116,192)
	(1,305,013)
	151,554
	<u>(194,739)</u>
	<u>(6,403,673)</u>
	4,914,280
	342,029
	191,064
	53,187
	294,105
	635,029
	7,079
	273,462
	<u>109,989</u>
	<u>6,820,224</u>
	416,551
	<u>20,252,989</u>
\$	<u><u>20,669,540</u></u>

Hardin County
Balance Sheet
Governmental Funds
June 30, 2008

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 2,503,163	484,687	244,036	667,605
Receivables:				
Property tax:				
Delinquent	30,748	7,766	5,091	-
Succeeding year	3,365,154	894,128	1,477,082	-
Interest and penalty on property tax	70,549	-	-	-
Accounts	3,634	-	-	6,823
Accrued interest	19,623	-	-	-
Drainage assessments	-	-	-	-
Due from other governments	271,095	25,416	90,980	279,833
Inventories	-	-	-	534,644
Total assets	\$ 6,263,966	1,411,997	1,817,189	1,488,905
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 104,077	30,954	527	447,424
Salaries and benefits payable	21,301	892	2,259	26,674
Due to other governments	3,838	316,949	-	27,460
Deferred revenue:				
Succeeding year property tax	3,365,154	894,128	1,477,082	-
Other	100,774	9,439	5,047	-
Total liabilities	3,595,144	1,252,362	1,484,915	501,558
Fund balances:				
Reserved for:				
Supplemental levy purposes	592,289	-	-	-
Drainage warrants/drainage improvement certificates	-	-	-	-
Debt service	-	-	-	-
Unreserved, reported in:				
General fund	2,076,533	-	-	-
Special revenue funds	-	159,635	332,274	987,347
Capital projects fund	-	-	-	-
Total fund balances	2,668,822	159,635	332,274	987,347
Total liabilities and fund balances	\$ 6,263,966	1,411,997	1,817,189	1,488,905

Debt Service	Capital Projects	Nonmajor Special Revenue	Total
25,243	660,715	1,266,810	5,852,259
4,229	-	-	47,834
223,601	-	-	5,959,965
-	-	-	70,549
-	-	-	10,457
-	-	13,741	33,364
-	-	75,326	75,326
-	30,327	-	697,651
-	-	-	534,644
253,073	691,042	1,355,877	13,282,049
-	810	80	583,872
-	-	-	51,126
-	-	-	348,247
223,601	-	-	5,959,965
4,208	-	71,956	191,424
227,809	810	72,036	7,134,634
-	-	-	592,289
-	-	46,676	46,676
25,264	-	-	25,264
-	-	-	2,076,533
-	-	1,237,165	2,716,421
-	690,232	-	690,232
25,264	690,232	1,283,841	6,147,415
253,073	691,042	1,355,877	13,282,049

Hardin County
Reconciliation of the Balance Sheet -
Governmental Funds to the Statement of Net Assets
June 30, 2008

Exhibit D

Total governmental fund balances (page 15) \$ 6,147,415

*Amounts reported for governmental activities in the Statement of Net Assets
are different because:*

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$38,529,370 and the accumulated depreciation is \$20,042,415. 18,486,955

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds. 191,424

The Internal Service Fund is used by management to charge the costs of the partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in the governmental activities in the Statement of Net Assets. 1,226,583

Long-term liabilities, including bonds payable, capital lease purchase agreement, compensated absences payable, accrued interest payable and drainage warrants/drainage improvement certificates payable are not due and payable in the current period and, therefore, are not reported in the governmental funds. (5,382,837)

Net assets of governmental activities (page 11) \$ 20,669,540

Hardin County
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2008

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 3,186,915	804,975	1,398,513	-
Interest and penalty on property tax	42,934	-	-	-
Intergovernmental	2,158,461	1,175,288	49,118	2,975,110
Licenses and permits	12,230	-	-	6,671
Charges for service	449,951	-	-	-
Use of money and property	300,735	-	-	-
Miscellaneous	84,872	3,074	480	93,918
Total revenues	6,236,098	1,983,337	1,448,111	3,075,699
Expenditures:				
Operating:				
Public safety and legal services	2,933,021	-	111,783	-
Physical health and social services	261,448	-	-	-
Mental health	-	2,003,263	-	-
County environment and education	526,683	-	255,491	-
Roads and transportation	-	-	109,943	3,995,508
Governmental services to residents	422,092	-	1,914	-
Administration	1,359,171	-	-	-
Non-program	60,529	-	2,541	-
Debt service	-	-	-	-
Capital projects	-	-	-	10,641
Total expenditures	5,562,944	2,003,263	481,672	4,006,149
Excess (deficiency) of revenues over (under) expenditures	673,154	(19,926)	966,439	(930,450)
Other financing sources (uses):				
Operating transfers in	-	-	-	1,274,800
Operating transfers out	(96,820)	-	(1,274,800)	-
Capital lease purchase agreement	24,128	-	-	-
General obligation bonds issued	45,000	-	-	-
Drainage warrants/drainage improvement certificates issued	-	-	-	-
Total other financing sources (uses)	(27,692)	-	(1,274,800)	1,274,800
Net change in fund balances	645,462	(19,926)	(308,361)	344,350
Fund balances beginning of year	2,023,360	179,561	640,635	642,997
Fund balances end of year	\$ 2,668,822	159,635	332,274	987,347

Debt Service	Capital Projects	Non-major Special Revenue	Total
341,844	158,758	191,064	6,082,069
-	-	-	42,934
18,203	-	118,788	6,494,968
-	-	-	18,901
-	-	18,881	468,832
-	-	47,024	347,759
66	460	21,764	204,634
360,113	159,218	397,521	13,660,097
-	-	-	3,044,804
-	-	-	261,448
-	-	-	2,003,263
-	-	23,341	805,515
-	-	-	4,105,451
-	-	-	424,006
-	-	-	1,359,171
-	-	-	63,070
433,126	-	164,655	597,781
-	119,835	292,065	422,541
433,126	119,835	480,061	13,087,050
(73,013)	39,383	(82,540)	573,047
96,820	-	-	1,371,620
-	-	-	(1,371,620)
-	-	-	24,128
-	-	-	45,000
-	-	98,287	98,287
96,820	-	98,287	167,415
23,807	39,383	15,747	740,462
1,457	650,849	1,268,094	5,406,953
25,264	690,232	1,283,841	6,147,415

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities
Year Ended June 30, 2008

Net change in fund balances - Total governmental funds (page 18) \$ 740,462

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the useful life of the assets. Depreciation expense exceeded capital outlay expenditures in the current year as follows:

Expenditures for capital assets	\$ 401,169	
Depreciation expense	<u>(1,366,676)</u>	(965,507)

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds as follows:

Property taxes	10,586	
Other	<u>(13,518)</u>	(2,932)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues as follows:

Issued	(167,415)	
Repaid	<u>389,643</u>	222,228

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Compensated absences	(4,184)	
Interest on long-term debt	<u>3,349</u>	(835)

The Internal Service Fund is used by management to charge the costs of the partial self-funding of the County's health insurance benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with the governmental activities.

423,135

Change in net assets of governmental activities (page 13) \$ 416,551

Hardin County
Statement of Net Assets
Proprietary Fund
June 30, 2008

Exhibit G

	<u>Internal Service - Employee Group Health</u>
Assets	
Cash and cash equivalents	\$ 1,376,583
Liabilities	
Accounts payable	<u>150,000</u>
Net Assets	
Unrestricted	<u><u>\$ 1,226,583</u></u>

Hardin County
Statement of Revenues, Expenses
and Changes in Fund Net Assets
Proprietary Fund
Year Ended June 30, 2008

		<u>Internal Service - Employee Group Health</u>
Operating revenues:		
Reimbursements from operating funds		\$ 1,037,948
Reimbursements from others		395,695
Insurance reimbursements		<u>426,057</u>
Total operating revenues		1,859,700
Operating expenses:		
Medical claims	\$ 1,106,857	
Insurance premiums	218,278	
Administrative fees	87,054	
Miscellaneous	<u>32,252</u>	<u>1,444,441</u>
Operating income		415,259
Non-operating revenues:		
Interest income		<u>7,876</u>
Net income		423,135
Net assets beginning of year		<u>803,448</u>
Net assets end of year		<u><u>\$ 1,226,583</u></u>

Hardin County
Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2008

Exhibit I

	<u>Internal Service - Employee Group Health</u>
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 1,037,948
Cash received from others	821,752
Cash payments to suppliers for services	<u>(1,444,441)</u>
Net cash provided by operating activities	415,259
Cash flows from investing activities:	
Interest on investments	<u>7,876</u>
Net increase in cash and cash equivalents	423,135
Cash and cash equivalents at beginning of year	<u>953,448</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,376,583</u></u>
Reconciliations of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 415,259</u>
Net cash provided by operating activities	<u><u>\$ 415,259</u></u>

Hardin County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2008

Assets

Cash and pooled investments:

County Treasurer	\$ 1,123,250
Other County officials	91,142

Receivables:

Property tax:

Delinquent	264,224
Succeeding year	16,365,883

Accounts	28,864
----------	--------

Due from other governments	8,342
----------------------------	-------

Total assets	<u>17,881,705</u>
---------------------	-------------------

Liabilities

Accounts payable	19,666
------------------	--------

Due to other governments	17,744,128
--------------------------	------------

Trusts payable	103,037
----------------	---------

Compensated absences	14,874
----------------------	--------

Total liabilities	<u>17,881,705</u>
--------------------------	-------------------

Net Assets	<u><u>\$ -</u></u>
-------------------	--------------------

Hardin County
Notes to Financial Statements
June 30, 2008

(1) Summary of Significant Accounting Policies

Hardin County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Hardin County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County.

These financial statements present Hardin County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units – The following component units are entities which are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

One hundred sixty-five drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the Hardin County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of the individual drainage districts can be obtained from the Hardin County Auditor's office. Fifty-three drainage districts are under the control of another county or a drainage board elected by the general population; thus, they are not included as blended component units, but are reported in the Agency Funds of the County.

Hardin County
Notes to Financial Statements
June 30, 2008

(1) **Summary of Significant Accounting Policies (continued)**

A. Reporting Entity (continued)

Jointly Governed Organizations – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Hardin County Assessor's Conference Board, Hardin County Joint E-911 Service Board and Hardin County Emergency Management Commission. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County also participates in the following additional jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: Heartland Risk Pool Insurance, Solid Waste Commission, County Case Management Services, Mid-Iowa Drug Task Force, Northeast Iowa Response Group, Region 6 Planning Commission and Central Iowa Juvenile Detention Center.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

Hardin County
Notes to Financial Statements
June 30, 2008

(1) Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor special revenue funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

The Debt Service Fund is utilized to account for the payment of interest and principal on the County's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

Hardin County
Notes to Financial Statements
June 30, 2008

(1) **Summary of Significant Accounting Policies (continued)**

B. Basis of Presentation (continued)

Additionally, the County reports the following funds:

Proprietary Fund – An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds – Agency funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursements grant resources to such programs, followed by categorical block grants, and then by general revenues.

Hardin County
Notes to Financial Statements
June 30, 2008

(1) **Summary of Significant Accounting Policies (continued)**

C. Measurement Focus and Basis of Accounting (continued)

The proprietary fund of the County applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund is charges to customers for sales and services. Operating expenses for Internal Service Funds include the cost of services and administrative expenses. All revenues and expense not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year.

Hardin County
Notes to Financial Statements
June 30, 2008

(1) Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2007.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Drainage Assessment Receivable – Drainage assessments receivable represent amounts assessed to individuals for work done on drainage districts which benefit their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same penalties and interest as other taxes. Delinquent drainage assessments receivable represent assessments which are due and payable but have not been collected. Succeeding year drainage assessments receivable represents remaining assessments which are payable but not yet due.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Hardin County

Notes to Financial Statements

June 30, 2008

(1) Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g. roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$50,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	30-50
Building improvements	20-50
Infrastructure	12-65
Equipment	5-10
Vehicles	5-10

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of the property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Hardin County
Notes to Financial Statements
June 30, 2008

(1) **Summary of Significant Accounting Policies (continued)**

D. Assets, Liabilities and Fund Equity (continued)

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2008. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Long-Term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net Assets – The net assets of the Internal Service, Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, disbursements in certain departments exceeded the amounts appropriated prior to the re-appropriation being approved.

(2) **Cash and Pooled Investments**

The County's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

Hardin County
Notes to Financial Statements
June 30, 2008

(2) Cash and Pooled Investments (continued)

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,680 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk. The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the County.

Credit risk. The investment in Iowa Public Agency Investment Trust is unrated.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ 1,274,800
Debt Service	General	96,820
Total		<u>\$ 1,371,620</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Hardin County
Notes to Financial Statements
June 30, 2008

(4) Pension and Retirement Benefits (continued)

Most regular plan members are required to contribute 3.90% of their annual covered salary and the County is required to contribute 6.05% of the covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contribution to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$267,244, \$257,039 and \$248,242, respectively, equal to the required contributions for each year.

(5) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

Fund	Description	Amount
General	Services	\$ 3,838
Special Revenue:		
Secondary Roads	Services	27,460
Mental Health	Services	316,949
		<u>344,409</u>
Total for governmental funds		<u>\$ 348,247</u>
Agency:		
County Assessor	Collections	\$ 241,703
Schools		10,283,015
Community Colleges		1,581,400
Corporations		4,317,143
Townships		337,798
Auto License and Use Tax		336,075
E-911 Surcharge		299,013
Empowerment		70,475
All Other		277,506
Total for agency funds		<u>\$ 17,744,128</u>

Hardin County
Notes to Financial Statements
June 30, 2008

(6) Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 527,625	66,585	-	594,210
Construction in progress	297,761	44,280	297,761	44,280
Total capital assets not being depreciated	825,386	110,865	297,761	638,490
Capital assets being depreciated:				
Buildings and improvements	9,156,944	-	-	9,156,944
Equipment and vehicles	6,135,993	290,337	267,161	6,159,169
Infrastructure, road network	22,266,365	308,402	-	22,574,767
Total capital assets being depreciated	37,559,302	598,739	267,161	37,890,880
Less accumulated depreciation for:				
Buildings and improvements	1,955,051	203,204	-	2,158,255
Equipment and vehicles	3,904,626	480,519	256,487	4,128,658
Infrastructure, road network	13,072,549	682,953	-	13,755,502
Total accumulated depreciation	18,932,226	1,366,676	256,487	20,042,415
Total capital assets being depreciated, net	18,627,076	(767,937)	10,674	17,848,465
Governmental activities capital assets, net	\$ 19,452,462	(657,072)	308,435	18,486,955

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 159,920
Physical health and social services	2,499
Mental health	2,199
County environment and education	37,797
Roads and transportation	1,082,830
Governmental services to residents	29,403
Administration	52,028
Total depreciation expenses - governmental activities	\$ 1,366,676

Hardin County
Notes to Financial Statements
June 30, 2008

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	General Obligation Bonds	Capital Lease Purchase Agreement	Compensated Absences	Drainage Warrants/ Drainage Improvement Certificates	Total
Balance beginning of year	\$ 5,220,000	-	319,925	15,742	5,539,925
Increases	45,000	24,128	16,646	87,152	172,926
Decreases	370,000	8,508	12,462	-	390,970
Balance end of year	\$ 4,895,000	15,620	324,109	102,894	5,321,881
Due within one year	\$ 385,000	7,586	324,109	-	716,695

Capital Lease Purchase Agreement

The County has entered into a capital lease purchase agreement to lease a Ford F350 truck for the conservation department with a historical cost of \$24,128. The following is a schedule of the future minimum least payments, including interest at 5.90% interest rate per annum, and the present value of net minimum lease payments under the agreement in effect at June 30, 2008.

Year ending June 30,	Total
2009	\$ 8,508
2010	8,508
Total minimum lease payments	17,016
Less amount representing interest	1,396
Present value of net minimum lease payments	\$ 15,620

Payments under capital lease purchase agreements totaled \$8,508 for the year ended June 30, 2008.

Drainage Warrants/Drainage Improvement Certificates Payable

Drainage warrants are warrants which are legally drawn on drainage district funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are first presented. Warrants will be paid as funds are available.

Drainage improvement certificates payable represent amounts due to purchasers of drainage improvement certificates. Drainage improvement certificates are waivers that provide for a

Hardin County
Notes to Financial Statements
June 30, 2008

(7) Long-Term Liabilities (continued)

Drainage Warrants/Drainage Improvement Certificates Payable (continued)

landowner to pay an improvement assessment in installment payments over a designated number of years with interest at a designated interest rate. The improvement certificates representing those assessments or installments due from the landowner are sold for cash as interest bearing certificates. Funds received from the sale of certificates are used to pay outstanding registered warrants issued to contractors who perform work on drainage district improvements and registered warrants issued for other related costs. Drainage improvement certificates are redeemed and interest paid to the bearer of the certificate upon receipt of the installment payment plus interest, from the landowner.

Drainage warrants and drainage improvement certificates are paid from the Special Revenue Fund solely from drainage assessments against benefited properties.

Bonds Payable

A summary of the County's June 30, 2008, general obligation bonded indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2009	3.25 - 5.30 %	\$ 385,000	186,780	571,780
2010	3.38 - 5.40	390,000	173,790	563,790
2011	3.38 - 5.40	405,000	160,244	565,244
2012	3.38 - 5.40	425,000	145,975	570,975
2013	3.50 - 5.40	440,000	130,745	570,745
2014-2018	3.60 - 5.40	2,295,000	401,954	2,696,954
2019-2023	4.35 - 4.75	555,000	79,789	634,789
		<u>\$ 4,895,000</u>	<u>1,279,277</u>	<u>6,174,277</u>

During the year ended June 30, 2008, the County issued \$45,000 in general obligation bonds and retired \$370,000 of bonds.

(8) Hardin County Employee Group Health Fund

The Hardin County Employee Group Health Fund was established to account for the partial self-funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Wellmark. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$40,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Hardin County Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Wellmark.

Hardin County

Notes to Financial Statements

June 30, 2008

(8) Hardin County Employee Group Health Fund (continued)

from the Hardin County Employee Group Health Fund. The County records the plan assets and related liabilities of the Hardin County Health Insurance fund as an Internal Service Fund. The County's contribution to the fund for the year ended June 30, 2008 was \$1,023,448.

Amounts payable from the Employee Group Health Fund at June 30, 2008 total \$150,000, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims, and to establish a reserve for catastrophic losses. That reserve was \$1,226,583 at June 30, 2008 and is reported as a designation of the Employee Group Health Fund net assets. A liability has been established based on the requirements of Government Accounting Standards Board Statement Number 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims at beginning of year	\$ 150,000
Incurred claims (including claims incurred but not reported as of June 30, 2008)	1,106,857
Payments on claims during the fiscal year	1,106,857
Unpaid claims at end of year	<u><u>\$ 150,000</u></u>

(9) Operating Leases

The County has entered into a lease for operating space used by Mental Health for operation of their clubhouse, a lease for a new postage machine through Pitney Bowes and various copier leases through Bankers Leasing Company. The leases expire at April 30, 2009, May 31, 2013 and December 31, 2012, respectively. The following is a schedule by year of the total annual lease costs required under the operating leases.

Year ending June 30,	Annual Rent Due
2009	\$ 22,950
2010	17,700
2011	16,347
2012	6,714
2013	1,210
Total	<u><u>\$ 64,921</u></u>

Hardin County
Notes to Financial Statements
June 30, 2008

(9) Operating Leases (continued)

The total annual lease costs for the year ended June 30, 2008 were \$22,790.

(10) Risk Management

Hardin County is a member in the Heartland Insurance Risk Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Heartland Insurance Risk Pool (Pool) is a local government risk-sharing pool whose membership includes ten counties throughout the State of Iowa. The Pool was formed in July 1987 to provide workers' compensation and property/casualty insurance for its members. The risk pool was created for the purposes of providing and maintaining self-insurance benefits on a group basis substantially at cost.

Each member County is responsible for the payment of member contributions to the risk pool on an annual basis. Member contributions to the risk pool are recorded as expenditures from the operating funds at the time of payment to the risk pool. In the event of payment of any loss by the risk pool, the risk pool is subrogated to the extent of such payment to all the rights of the member County against any person or other entity legally responsible for damages for said loss, and in such event, the member County is responsible for rendering all reasonable assistance, other than pecuniary assistance, to affect recovery. The risk pool is responsible for paying the reinsurance premiums on the insurance policies when due, to pay claims in accordance with the various coverages and to make other payments as required by applicable law, to establish and accumulate a reserve or reserves in amounts which are deemed advisable or required by law to carry out the purposes of the risk pool, and to pay all reasonable and necessary expenses for administer the risk pool and fund.

Initial risk of loss for the self-insured coverages is retained by the risk pool. The risk pool obtained a reinsurance policy for the year ended June 30, 2008, which covers exposures of specific losses in excess of \$750,000, with a \$250,000 corridor deductible, per occurrence up to the statutory limits for workers compensation, and in excess of \$400,000 per occurrence, up to a maximum of \$5,000,000 per occurrence, including the retention of the pool, for general liability, police professional, errors and omissions and automobile liability. The risk pool records a liability for unpaid claims based on estimates of reported and incurred but not reported claims and related loss adjustments expenses. At June 30, 2008, 2007 and 2006, the risk pool reported a surplus of assets over liabilities.

Member Counties retain the risk of claims, if any, exceeding maximum reinsurance coverages and the amount of surplus maintained in the risk pool by means of an assessment that would be charged to the member County in addition to the premium contributions. At June 30, 2008, settled claims have not exceeded the risk pool or reinsurance coverage since commencement of the risk pool.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the pool for the year ended June 30, 2008 were \$336,928.

Hardin County
Notes to Financial Statements
June 30, 2008

(10) Risk Management (continued)

Initial membership into the risk pool is for a mandatory three year period. Subsequent to the initial term, a member County may withdraw at the end of any given fiscal year. The initial membership period for Hardin County commenced July 1, 1987, and is subject to renewal every three years. The County also carries commercial insurance purchased by the risk pool from other insurers for coverages associated with the employee blanket bond. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

Hardin County
 Budgetary Comparison Schedule of
 Receipts, Disbursements and Changes in Balances -
 Budget and Actual (Cash Basis) - All Governmental Funds
 Required Supplementary Information
 Year Ended June 30, 2008

	Actual	Less Funds not Required to be Budgeted
Receipts:		
Property and other county tax	\$ 6,067,689	-
Interest and penalty on property tax	42,934	-
Intergovernmental	6,422,085	-
Licenses and permits	21,249	-
Charges for service	424,779	-
Use of money and property	352,142	-
Miscellaneous	223,825	20,775
Total receipts	<u>13,554,703</u>	<u>20,775</u>
Disbursements:		
Public safety and legal services	3,002,294	-
Physical health and social services	272,460	-
Mental health	1,918,200	-
County environment and education	781,999	-
Roads and transportation	4,277,596	-
Governmental services to residents	419,315	-
Administration	1,367,201	-
Non-program	65,272	-
Debt service	597,782	-
Capital projects	449,737	131,669
Total disbursements	<u>13,151,856</u>	<u>131,669</u>
Excess (deficiency) of receipts over (under) disbursements	402,847	(110,894)
Other financing sources, net	<u>167,415</u>	<u>98,287</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	570,262	(12,607)
Balance beginning of year	<u>5,281,997</u>	<u>59,283</u>
Balance end of year	<u><u>\$ 5,852,259</u></u>	<u><u>46,676</u></u>

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
6,067,689	6,047,142	6,047,142	20,547
42,934	33,800	33,800	9,134
6,422,085	7,254,431	7,421,131	(999,046)
21,249	14,250	14,250	6,999
424,779	405,450	405,450	19,329
352,142	168,725	298,046	54,096
203,050	105,800	170,000	33,050
13,533,928	14,029,598	14,389,819	(855,891)
3,002,294	3,042,982	3,053,982	51,688
272,460	424,891	522,361	249,901
1,918,200	1,918,411	1,918,411	211
781,999	815,269	868,269	86,270
4,277,596	4,005,072	4,653,072	375,476
419,315	431,196	432,896	13,581
1,367,201	1,441,326	1,482,601	115,400
65,272	80,321	198,830	133,558
597,782	613,294	613,294	15,512
318,068	1,007,600	562,240	244,172
13,020,187	13,780,362	14,305,956	1,285,769
513,741	249,236	83,863	429,878
69,128	-	-	69,128
582,869	249,236	83,863	499,006
5,222,714	4,700,497	4,700,497	522,217
5,805,583	4,949,733	4,784,360	1,021,223

Hardin County
 Budgetary Comparison Schedule -
 Budget to GAAP Reconciliation
 Required Supplementary Information
 Year Ended June 30, 2008

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 13,554,703	105,394	13,660,097
Expenditures	13,151,856	(64,806)	13,087,050
Net	402,847	170,200	573,047
Other financing sources, net	167,415	-	167,415
Beginning fund balances	5,281,997	124,956	5,406,953
Ending fund balances	\$ 5,852,259	295,156	6,147,415

Hardin County
Notes to Required Supplementary Information-
Budgetary Reporting
June 30, 2008

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$525,594. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2008, disbursements did not exceed the amounts budgeted; but disbursements in certain departments exceeded the amounts appropriated prior to the re-appropriation being approved.

Other Supplementary Information

Hardin County
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2008

	Resource Enhancement and Protection	TIF Bond Payment	TIF Repayment	Pine Lake Corn Processors TIF	Carbo Tech TIF
Assets					
Cash and pooled investments	\$ 53,894	2	6,224	88,483	33,857
Receivables:					
Accrued interest	-	-	-	-	-
Drainage assessments	-	-	-	-	-
Total assets	\$ 53,894	2	6,224	88,483	33,857
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ -	-	-	-	-
Deferred revenue	-	-	-	-	-
Total liabilities	-	-	-	-	-
Fund Balances:					
Reserved for drainage warrants/drainage improvement certificates	-	-	-	-	-
Unreserved	53,894	2	6,224	88,483	33,857
Total fund balances	53,894	2	6,224	88,483	33,857
Total liabilities and fund balances	\$ 53,894	2	6,224	88,483	33,857

State Forfeiture Funds	County Recorder's Records Management	County Recorder's Electronic Transactions	Drainage Districts	Hardin County Conservation Reserve Trust	Conservation Land Acquisition Trust	Total
7,219	42,145	2	43,306	989,699	1,979	1,266,810
-	-	-	-	13,741	-	13,741
-	-	-	75,326	-	-	75,326
7,219	42,145	2	118,632	1,003,440	1,979	1,355,877
-	-	-	-	80	-	80
-	-	-	71,956	-	-	71,956
-	-	-	71,956	80	-	72,036
-	-	-	46,676	-	-	46,676
7,219	42,145	2	-	1,003,360	1,979	1,237,165
7,219	42,145	2	46,676	1,003,360	1,979	1,283,841
7,219	42,145	2	118,632	1,003,440	1,979	1,355,877

Hardin County
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2008

	Resource Enhancement and Protection	TIF Bond Payment	TIF Repayment	Pine Lake Corn Processors TIF
Revenues:				
Property and other county tax	\$ -	-	-	148,382
Intergovernmental	37,198	-	-	-
Charges for service	-	-	-	-
Use of money and property	754	-	-	-
Miscellaneous	-	-	-	-
Total revenues	37,952	-	-	148,382
Expenditures:				
Operating:				
County environment and education	23,341	-	-	-
Debt service	-	-	-	129,095
Capital projects	-	-	-	-
Total expenditures	23,341	-	-	129,095
Excess (deficiency) of revenues over (under) expenditures	14,611	-	-	19,287
Other financing sources:				
Proceeds from drainage warrants/drainage improvement certificates	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	14,611	-	-	19,287
Fund balances beginning of year	39,283	2	6,224	69,196
Fund balances end of year	\$ 53,894	2	6,224	88,483

Carbo Tech TIF	State Forfeiture Funds	County Recorder's Records Management	County Recorder's Electronic Transactions	Drainage Districts	Hardin County Conservation Reserve Trust	Conservation Land Acquisition Trust	Total
42,682	-	-	-	-	-	-	191,064
-	6,700	-	-	-	74,890	-	118,788
-	-	4,155	-	-	14,726	-	18,881
-	-	623	-	-	45,647	-	47,024
-	-	-	-	20,775	989	-	21,764
42,682	6,700	4,778	-	20,775	136,252	-	397,521
-	-	-	-	-	-	-	23,341
35,560	-	-	-	-	-	-	164,655
-	-	-	-	131,669	160,396	-	292,065
35,560	-	-	-	131,669	160,396	-	480,061
7,122	6,700	4,778	-	(110,894)	(24,144)	-	(82,540)
-	-	-	-	98,287	-	-	98,287
7,122	6,700	4,778	-	(12,607)	(24,144)	-	15,747
26,735	519	37,367	2	59,283	1,027,504	1,979	1,268,094
33,857	7,219	42,145	2	46,676	1,003,360	1,979	1,283,841

Hardin County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2008

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash and pooled investments:					
County Treasurer	\$ -	2,512	94,401	136,524	17,239
Other County officials	91,142	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	1,617	1,704	89,107	12,728
Succeeding year	-	182,997	158,389	10,057,384	1,551,433
Accounts	1,922	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	\$ 93,064	187,126	254,494	10,283,015	1,581,400
Liabilities					
Accounts payable	-	-	2,257	-	-
Due to other governments	14,376	187,126	241,703	10,283,015	1,581,400
Trusts payable	78,688	-	-	-	-
Compensated absences	-	-	10,534	-	-
Total liabilities	\$ 93,064	187,126	254,494	10,283,015	1,581,400

Corporations	Townships	Brucellosis and Tuberculosis Eradication	City Special Assessments	Auto License and Use Tax	Empowerment	Local Emergency Management Services
79,030	3,949	33	596	336,075	85,512	34,965
-	-	-	-	-	-	-
157,138	1,909	21	-	-	-	-
4,080,975	331,940	2,765	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
4,317,143	337,798	2,819	596	336,075	85,512	34,965
-	-	-	-	-	15,037	115
4,317,143	337,798	2,819	596	336,075	70,475	30,510
-	-	-	-	-	-	-
-	-	-	-	-	-	4,340
4,317,143	337,798	2,819	596	336,075	85,512	34,965

Hardin County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds (Continued)
June 30, 2008

	E-911 Surcharge	Third Party Payees	Drainage Districts	Other	Total
Assets					
Cash and pooled investments:					
County Treasurer	\$ 265,986	18,798	15,737	31,893	1,123,250
Other County officials	-	-	-	-	91,142
Receivables:					
Property tax:					
Delinquent	-	-	-	-	264,224
Succeeding year	-	-	-	-	16,365,883
Accounts	26,942	-	-	-	28,864
Due from other governments	8,342	-	-	-	8,342
Total assets	\$ 301,270	18,798	15,737	31,893	17,881,705
Liabilities					
Accounts payable	\$ 2,257	-	-	-	19,666
Due to other governments	299,013	-	15,737	26,342	17,744,128
Trusts payable	-	18,798	-	5,551	103,037
Compensated absences	-	-	-	-	14,874
Total liabilities	\$ 301,270	18,798	15,737	31,893	17,881,705

Hardin County
Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year Ended June 30, 2008

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets and Liabilities					
Balances beginning of year	\$ 93,125	180,994	255,959	9,792,330	1,237,308
Additions:					
Property and other county tax	-	173,621	148,505	9,566,621	1,504,807
E-911 surcharge	-	-	-	-	-
State tax credits	-	9,521	10,038	513,308	64,559
Grants	-	-	-	-	-
Interest	428	-	-	-	-
Office fees and collections	2,115,994	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Drivers license fees	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	655,187	-	-	-	-
Miscellaneous	-	-	883	-	-
Total additions	2,771,609	183,142	159,426	10,079,929	1,569,366
Deductions:					
Agency remittances:					
To other funds	1,985,330	-	-	-	-
To other governments	149,014	177,010	160,891	9,589,244	1,225,274
Trusts paid out	637,326	-	-	-	-
Total deductions	2,771,670	177,010	160,891	9,589,244	1,225,274
Balances end of year	\$ 93,064	187,126	254,494	10,283,015	1,581,400

Corporations	Townships	Brucellosis and Tuberculosis Eradication	City Special Assessments	Auto License and Use Tax	Drivers License	Empower- ment
4,109,263	313,811	2,683	2,868	379,849	-	123,323
5,773,807	316,101	2,311	-	-	-	-
-	-	-	-	-	-	-
260,322	16,003	124	-	-	-	-
-	-	-	-	-	-	321,992
-	-	-	-	-	-	4,818
-	-	-	-	-	-	-
-	-	-	-	4,560,864	-	-
-	-	-	-	-	59,844	-
-	-	-	25,777	-	-	-
-	-	-	-	-	-	-
6,034,129	332,104	2,435	25,777	4,560,864	59,844	326,810
-	-	-	-	134,766	31,094	-
5,826,249	308,117	2,299	28,049	4,469,872	28,750	364,621
-	-	-	-	-	-	-
5,826,249	308,117	2,299	28,049	4,604,638	59,844	364,621
4,317,143	337,798	2,819	596	336,075	-	85,512

Hardin County
Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds (Continued)
Year Ended June 30, 2008

	Local		Tax Sale	Third
	Emergency	E-911	Redemption	Party
	Management	Surcharge	Non-County	Payees
	Services			
Assets and Liabilities				
Balances beginning of year	\$ 21,783	214,652	-	15,661
Additions:				
Property and other county tax	-	-	-	-
E-911 surcharge	-	94,740	-	-
State tax credits	-	-	-	-
Grants	23,815	53,265	-	-
Interest	-	5,752	-	-
Office fees and collections	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Drivers license fees	-	-	-	-
Assessments	-	-	-	-
Trusts	-	-	209,998	124,044
Miscellaneous	63,439	387	-	-
Total additions	87,254	154,144	209,998	124,044
Deductions:				
Agency remittances:				
To other funds	-	-	-	-
To other governments	74,072	67,526	209,998	-
Trusts paid out	-	-	-	120,907
Total deductions	74,072	67,526	209,998	120,907
Balances end of year	\$ 34,965	301,270	-	18,798

Drainage Districts	Other	Total
17,740	28,338	16,789,687
-	-	17,485,773
-	-	94,740
-	-	873,875
-	-	399,072
-	-	10,998
-	-	2,115,994
-	-	4,560,864
-	-	59,844
6,773	-	32,550
-	27,423	1,016,652
-	4,519	69,228
6,773	31,942	26,719,590
-	-	2,151,190
8,776	28,387	22,718,149
-	-	758,233
8,776	28,387	25,627,572
15,737	31,893	17,881,705

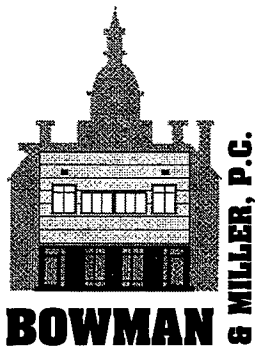
Schedule of Revenues By Source and Expenditures By Function -
All Governmental Funds
For the Last Four Years

Modified Accrual Basis				
	2008	2007	2006	2005
Revenues:				
Property and other county tax	\$ 6,082,069	5,811,152	5,210,970	4,472,523
Interest and penalty on property tax	42,934	39,494	38,510	38,758
Intergovernmental	6,494,968	6,744,867	6,900,497	5,625,385
Licenses and permits	18,901	10,340	8,167	7,212
Charges for service	468,832	454,697	487,803	424,210
Use of money and property	347,759	364,731	245,267	153,148
Miscellaneous	204,634	142,023	191,215	160,412
Total	\$ 13,660,097	13,567,304	13,082,429	10,881,648

Expenditures:

Operating:

Public safety and legal services	\$ 3,044,804	3,032,813	2,885,183	2,613,136
Physical health and social services	261,448	285,423	285,407	287,207
Mental health	2,003,263	1,875,028	1,804,829	1,726,207
County environment and education	805,515	802,147	1,341,057	656,683
Roads and transportation	4,105,451	4,032,563	4,666,208	4,526,263
Governmental services to residents	424,006	370,894	382,062	308,862
Administration	1,359,171	1,403,430	1,201,490	1,079,749
Non-program	63,070	78,542	201,437	226,005
Debt service	597,781	585,589	521,988	430,939
Capital projects	422,541	599,160	137,082	57,300
Total	\$ 13,087,050	13,065,589	13,426,743	11,912,351



C E R T I F I E D ♦ P U B L I C ♦ A C C O U N T A N T S

24 EAST MAIN STREET • MARSHALLTOWN, IOWA 50158 • 641-753-9337 • FAX 641-753-6366
418 2ND STREET • GLADBROOK, IOWA 50635 • 641-473-2717 • FAX 641-753-6366
4949 PLEASANT STREET • SUITE 206 • WEST DES MOINES, IOWA 50266 • 515-278-0286 • FAX 515-278-0287

James R. Bowman, CPA • jim@syscompia.com
Elizabeth A. Miller, CPA • beth@syscompia.com

Independent Auditors' Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Officials of Hardin County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hardin County, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated January 5, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hardin County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Hardin County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Hardin County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Hardin County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Hardin County's financial statements that is more than inconsequential will not be prevented or detected by Hardin County's internal control. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Hardin County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-A-08 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hardin County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Hardin County's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the County's responses, we did not audit Hardin County's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Hardin County and other parties to whom Hardin County may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Hardin County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Bowman and Miller, P.C.

January 5, 2009

Hardin County
Schedule of Findings
Year Ended June 30, 2008

Part I: Summary of the Independent Auditors' Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

Hardin County
Schedule of Findings
Year Ended June 30, 2008

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCY:

II-A-08 Segregation of Duties - During our review of the internal control structure, the existing control procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. We noted that generally one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

(1) All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records.

Applicable
Offices
Recorder

(2) Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks, handle or record cash.

Recorder

(3) Checks should be signed by an individual who does not otherwise participate in the preparation of the checks. Prior to signing, the checks and the supporting documentation should be reviewed for propriety. After signing, the checks should be mailed without allowing them to return to individuals who prepare the checks or approve vouchers for payment.

Recorder

Recommendation - We realize that with a limited number of office employees segregation of duties is difficult. However, each official should review the control procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by initials or signature of the reviewer and the date of the review.

Hardin County
Schedule of Findings
Year Ended June 30, 2008

Part II: Findings Related to the Financial Statements:

Response – Currently there are only two employees in the Recorder's Office: the Recorder and the Deputy Recorder. The following are the adjustments and/or changes made since January 2, 2007.

- (1) Incoming mail is opened by the Deputy Recorder. It is sorted into three areas; recordings, boats/snows/ATVs and vital records. There is no accounting made at this time for cash and checks received. Recordings are passed on to the Recorder; the Deputy keeps the boats/snows/ATVs and vital records. All monies are processed through the cash register daily, either at the end of the day (recording fees and transfer taxes); or during the course of the day (boats/snows/ATVs, certified copies, Xerox copies, plat books, passports, etc.).

In conjunction with all money being processed through the cash register, the office now does a daily deposit. One "Fee Report" is done at the end of the day; a second "Fee Report" is done the next morning, at the time the daily deposit is prepared. Typically the Recorder prepares the daily deposit. If the reports and the deposits do not match the Recorder proceeds to locate the discrepancy and if necessary the Deputy "double checks" all monies and the fee report.

- (2) The Recorder is responsible for reconciling the bank account. The Recorder also handles cash, though the recording fees are most typically paid by check or charge-to-account.
- (3) This has not been resolved, and is nearly impossible with only two employees in the office. Typically fewer than six checks per month are written off of the Recorder's account.

Through a budget addition for 2008-2009, the process of adding one part-time person has begun. A position "sharing" between our office and another may be feasible. Until this is accomplished, the checks and balances established are the best I can do at this point.

Conclusion – Response accepted.

Part III: Other Findings Related to Required Statutory Reporting:

- III-A-08 Certified Budget – Disbursements during the year ended June 30, 2008 did not exceed the amounts budgeted. Although the Board of Supervisors acted to increase appropriations to several departments, the amendment changes were made after disbursements had exceeded the appropriations. In certain instances appropriation amendments were not effective since the required public hearing was not held.

Hardin County
Schedule of Findings
Year Ended June 30, 2008

Part III: Other Findings Related to Required Statutory Reporting (continued):

Recommendation – Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriation of another office or department as long as the function budget is not increased. This code section also requires that decreases in appropriations in excess of \$5,000 or ten percent, whichever is greater, are not effective unless a public hearing on the decrease is held. The County should amend appropriations as required before disbursements are allowed to exceed the appropriations.

Response – Smaller departments were merged into larger departments to reduce the number of departmental budgets required. Budgeted amounts were not changed, just the appropriation from one department to another. This was an isolated instance, but in the future we will monitor the appropriations closer and have all required public hearings.

Conclusion – Response accepted.

- III-B-08 Questionable Expenditures – We noted no expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- III-C-08 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- III-D-08 Business Transactions – No business transactions between the County and County officials or employees were noted.
- III-E-08 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be periodically reviewed to insure that the coverage is adequate for current operations.
- III-F-08 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- III-G-08 Deposits and Pooled Investments – We noted no instances of non-compliance with the deposits and pooled investments provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policies.
- III-H-08 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- III-I-08 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B. Disbursements during the year ended June 30, 2008 for the County Extension Office did not exceed the amount budgeted.

Audit Staff

This audit was performed by:

Bowman and Miller, P.C.
Certified Public Accountants
Marshalltown, Iowa

Personnel:

Elizabeth A. Miller, CPA, Principal

Lori H. Stansberry, CPA, Staff